

## PROPOSITION

# 1A

## PROTECTION OF LOCAL GOVERNMENT REVENUES

### OFFICIAL TITLE AND SUMMARY

Prepared by the Attorney General

#### Protection of Local Government Revenues

- Protects local funding for public safety, health, libraries, parks, and other locally delivered services.
- Prohibits the State from reducing local governments' property tax proceeds.
- Allows the provisions to be suspended only if the Governor declares a fiscal necessity and two-thirds of the Legislature approve the suspension. Suspended funds must be repaid within three years.
- Also requires local sales tax revenues to remain with local government and be spent for local purposes.
- Requires the State to fund legislative mandates on local governments or suspend their operation.

#### Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- Significant changes to state authority over local finances. Higher local government revenues than otherwise would have been the case, possibly in the billions of dollars annually over time. Any such local revenue impacts would result in decreased resources to the state of similar amounts.

#### Final Votes Cast by the Legislature on SCA 4 (Proposition 1A)

Assembly:	Ayes 64	Noes 13
Senate:	Ayes 34	Noes 5

## ANALYSIS BY THE LEGISLATIVE ANALYST

### BACKGROUND

#### Local Government Funding

California cities, counties, and special districts provide services such as fire and police protection, water, libraries, and parks and recreation programs. Local governments pay for these programs and services with money from local taxes, fees, and user charges; state and federal aid; and other sources. Three taxes play a major role in local finance because they raise significant sums of general-purpose revenues that local governments may use to pay for a variety of programs and services. These three taxes are the property tax, the uniform local sales tax, and the vehicle license fee (VLF). Many local governments also impose optional local sales taxes and use these revenues to support specific programs, such as transportation. Figure 1 provides information on these major revenue sources.

#### State Authority Over Local Finance

The State Constitution and existing statutes give the Legislature authority over the taxes described in Figure 1. For example, the Legislature has some authority to change tax rates; items subject to taxation; and the distribution of tax revenues among local governments, schools, and community college districts. The state has used this authority for many purposes, including increasing funding for local services, reducing state costs, reducing taxation, addressing concerns regarding funding for particular local governments, and restructuring local finance. Figure 2 describes some of these past actions the Legislature has taken.

#### Requirement to Reimburse for State Mandates

The State Constitution generally requires the state to reimburse local governments, schools, and community college districts when the state